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IDAHO PUBLIC  
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION )  
OF IDAHO POWER COMPANY FOR A )  
DETERMINATION OF 2014 DEMAND- ) CASE NO. IPC-E-15-06  
SIDE MANAGEMENT ("DSM") EXPENSES )  
AS PRUDENTLY INCURRED. )  
\_\_\_\_\_ )

IDAHO POWER COMPANY

DIRECT TESTIMONY

OF

DARLENE NEMNICH

1 Q. Please state your name and business address.

2 A. My name is Darlene Nemnich. My business  
3 address is 1221 West Idaho Street, Boise, Idaho 83702.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by Idaho Power Company ("Idaho  
6 Power" or "Company") as a Senior Regulatory Analyst.

7 Q. Please describe your educational background.

8 A. In May of 1979, I received a Bachelor of Arts  
9 degree in Business Administration with emphases in Finance  
10 and Economics from the College of Idaho in Caldwell, Idaho.  
11 In addition, I have attended the electric utility  
12 ratemaking course offered through New Mexico State  
13 University's Center for Public Utilities, the Edison  
14 Electric Institute's Electric Rate Advanced Course, as well  
15 as various other ratemaking courses.

16 Q. Please describe your work experience with  
17 Idaho Power.

18 A. In 1982, I was hired as an analyst in the  
19 Resource Planning Department. My primary duties were the  
20 calculation of avoided costs for cogeneration and small  
21 power production contracts and the calculation of costs of  
22 future generation resource options. In 1989, I moved to  
23 the Energy Services Department where I performed economic,  
24 financial, and statistical analyses to determine the cost-  
25 effectiveness of demand-side management ("DSM") programs.

1 In 2000, I was promoted to Energy Efficiency Coordinator.  
2 In that capacity, I coordinated the Company's efforts to  
3 grow customer programs and promote education in energy  
4 efficiency. I was responsible for complying with  
5 regulatory and financial requirements in the area of energy  
6 efficiency. In 2003, I was promoted to Energy Efficiency  
7 Leader where I managed the Company's DSM efforts, including  
8 strategic planning, design and development of programs,  
9 regulatory compliance, and overall management of the  
10 department. In 2006, I left the Company to pursue personal  
11 opportunities. In 2008, I returned to the Company to my  
12 current position as a Senior Regulatory Analyst in the  
13 Regulatory Affairs Department. My duties as Senior  
14 Regulatory Analyst include the development of alternative  
15 pricing structures, analysis of the impact on customers of  
16 rate design changes, and the administration of the  
17 Company's tariffs.

18 Q. What is the purpose of your testimony in this  
19 case?

20 A. The purpose of my testimony is to present the  
21 Company's request for a determination that \$33,495,385 of  
22 DSM expenses incurred in 2014 for the acquisition of  
23 demand-side resources were prudently incurred. This amount  
24 includes \$25,554,688 funded by the Idaho Energy Efficiency  
25 Rider ("Rider") and \$7,940,697 of demand response program

1 incentive payments that will be included in the April 15,  
2 2015, Power Cost Adjustment ("PCA") filing. The 2014 DSM  
3 expenses for which Idaho Power is seeking a prudence  
4 determination is an increase of 29 percent over the 2013  
5 DSM expenses in last year's prudence case (IPC-E-14-04).  
6 This increase in expenses is accompanied by a 33 percent  
7 increase in energy savings over 2013 energy savings when  
8 considering Idaho Power's efficiency programs alone. When  
9 the Northwest Energy Efficiency Alliance ("NEEA") savings  
10 are included, the energy savings increase of 2014 over 2013  
11 is 27 percent.

12 My testimony will (1) provide a review of 2014 DSM  
13 performance, (2) discuss 2014 DSM expenses and adjustments,  
14 (3) provide an overview of cost-effectiveness, (4) review  
15 evaluation efforts, and (5) describe stakeholder input and  
16 the actions Idaho Power has taken to comply with the Errata  
17 to Order No. 33161 received in last year's DSM expenses  
18 prudence request. Finally, my testimony will summarize how  
19 this filing satisfies the Memorandum of Understanding for  
20 Prudency Determination of DSM Expenditures filed in Case  
21 No. IPC-E-09-09 ("DSM MOU").

22 **I. 2014 DSM PROGRAM PERFORMANCE**

23 Q. Please provide an overview of Idaho Power's  
24 DSM efforts in 2014.

25



1           A.       In 2014, Idaho Power achieved 27 percent more  
2 energy savings than in 2013, restructured and implemented  
3 its demand response programs at significantly reduced costs  
4 to customers, and successfully executed an agreement to  
5 continue its participation in NEEA, also at lower costs to  
6 customers. Idaho Power's energy efficiency portfolio was  
7 cost-effective resulting in a 1.89 benefit/cost ratio when  
8 evaluated at a Total Resource Cost ("TRC") test perspective  
9 and a 3.49 benefit/cost ratio when evaluated at a Utility  
10 Cost ("UC") test perspective

11           In 2014, on a system-wide basis, Idaho Power offered  
12 customers 18 energy efficiency programs or pilots and three  
13 demand response programs, participated in market  
14 transformation efforts through NEEA, and offered several  
15 ongoing educational initiatives and other activities. A  
16 summary of Idaho Power's 2014 DSM activities is provided in  
17 Table 1 below.

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1 **Table 1. 2014 DSM programs by sector, operational type,**  
2 **location, and energy savings/demand reduction**

Program by Sector	Operational Type	State	Savings/Demand Reduction
<b>Residential</b>			
A/C Cool Credit .....	Demand Response	ID/OR	44 MW
Ductless Heat Pump Pilot .....	Energy Efficiency	ID/OR	463 MWh
Energy Efficient Lighting .....	Energy Efficiency	ID/OR	12,882 MWh
Energy House Calls .....	Energy Efficiency	ID/OR	579 MWh
ENERGY STAR® Homes Northwest.....	Energy Efficiency	ID/OR	528 MWh
Heating & Cooling Efficiency Program ...	Energy Efficiency	ID/OR	1,099 MWh
Home Energy Audit .....	Energy Efficiency	ID	141 MWh
Home Improvement Program .....	Energy Efficiency	ID	839 MWh
Home Products Program .....	Energy Efficiency	ID/OR	652 MWh
Local Energy Efficiency Funds .....	Other Programs and Activities	ID/OR	96 MWh
Oregon Residential Weatherization .....	Energy Efficiency	OR	11 MWh
Rebate Advantage .....	Energy Efficiency	ID/OR	270 MWh
Residential Energy Efficiency Education Initiative .....	Other Programs and Activities	ID/OR	1,491 MWh
See ya later, refrigerator®.....	Energy Efficiency	ID/OR	1,391 MWh
Shade Tree Project .....	Other Programs and Activities	ID	n/a
Weatherization Assistance for Qualified Customers .....	Energy Efficiency	ID/OR	534 MWh
Weatherization Solutions for Eligible Customers .....	Energy Efficiency	ID	291 MWh
<b>Commercial/Industrial</b>			
Building Efficiency .....	Energy Efficiency	ID/OR	9,458 MWh
Commercial Education Initiative .....	Other Programs and Activities	ID/OR	n/a
Custom Efficiency .....	Energy Efficiency	ID/OR	50,363 MWh
Easy Upgrades .....	Energy Efficiency	ID/OR	19,118 MWh
FlexPeak Management .....	Demand Response	ID/OR	40 MW
Oregon Commercial Audits .....	Energy Efficiency	OR	n/a
<b>Irrigation</b>			
Irrigation Efficiency Rewards .....	Energy Efficiency	ID/OR	18,464 MWh
Irrigation Peak Rewards .....	Demand Response	ID/OR	295 MW
<b>All Sectors</b>			
Northwest Energy Efficiency Alliance ...	Market Transformation	ID/OR	20,000 MWh

3  
4 Table 1 illustrates the broad availability of  
5 programs offered by Idaho Power to its customers in energy  
6 efficiency, demand response, and education. The Demand-

1 Side Management 2014 Annual Report ("DSM 2014 Annual  
2 Report"), Attachment 1 to the Application filed in this  
3 proceeding, provides details for each program, including a  
4 description of each program, 2014 performance and  
5 activities, cost-effectiveness, customer satisfaction, and  
6 evaluation results. In addition, the DSM 2014 Annual  
7 Report provides Idaho Power's DSM strategies for 2015.

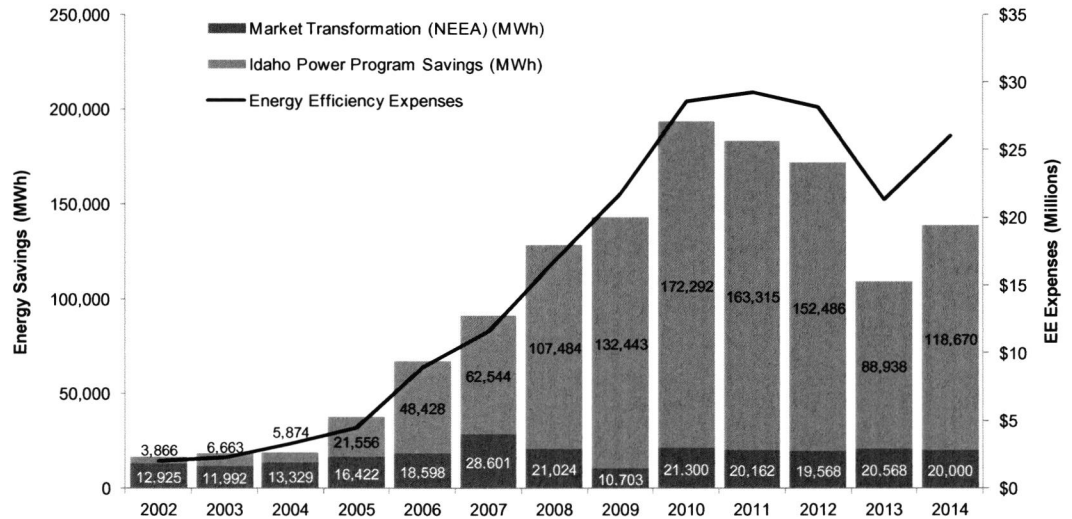
8 Q. What level of incremental annual energy  
9 efficiency savings was achieved in 2014 with energy  
10 efficiency programs?

11 A. On a system-wide basis, Idaho Power achieved  
12 138,670 megawatt-hours ("MWh") of incremental annual energy  
13 efficiency savings in 2014. This value includes 118,670  
14 MWh from Idaho Power's energy efficiency programs and an  
15 estimated 20,000 MWh of energy efficiency market  
16 transformation savings through NEEA initiatives. The  
17 increase in the 2014 savings was driven primarily by  
18 industrial sector program savings and to a lesser degree  
19 from the residential sector. Table 2 below shows the  
20 incremental annual energy efficiency savings in MWh from  
21 2002 to the current year. Also shown on this table are the  
22 total energy efficiency expenses for each year in millions  
23 of dollars.

24

25

**Table 2 Annual energy savings (MWh) and energy efficiency expenses (\$millions) 2002-2014**



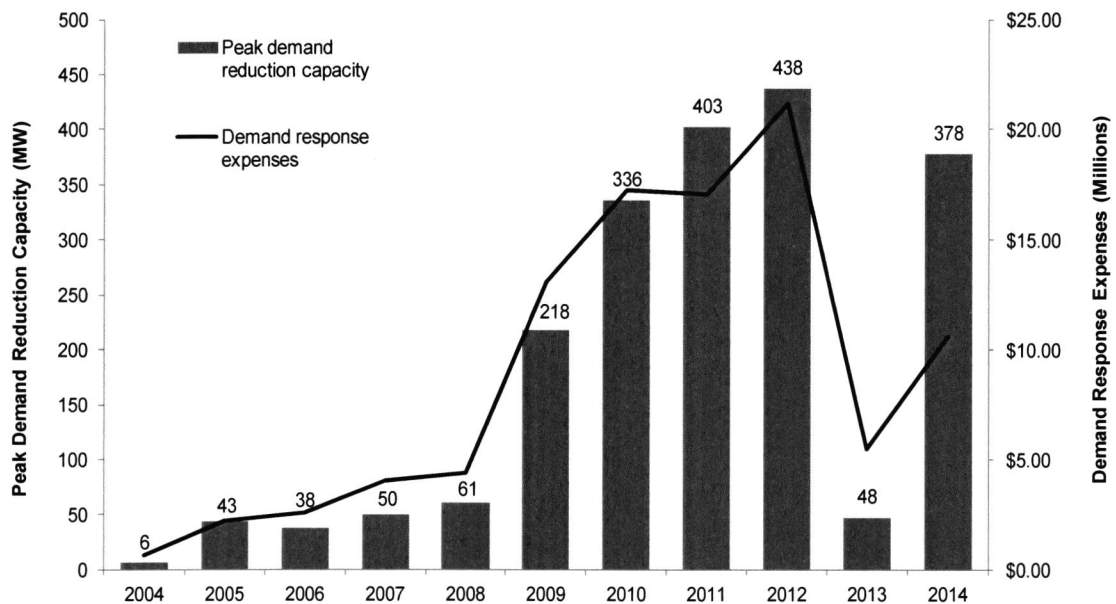
**Note: 2014 NEEA market-transformation savings are estimated.**

Q. What level of demand reduction capacity was available from Idaho Power's demand response programs in 2014 after the temporary suspension of two of the Company's three demand response programs in 2013?

A. Idaho Power's three demand response programs operated in 2014 to provide a peak demand reduction of 378 megawatts ("MW"). This value represents the realized, non-coincident load reduction from all three programs. The total enrolled capacity from all three programs was 390 MW. Table 3 below shows the annual peak demand reduction capacity in MW since 2004 and the associated annual expenses in millions of dollars. This table shows that in 2013 the Irrigation Peak Rewards program and the A/C Cool Credit program were suspended. As a result of the settlement achieved with stakeholders through demand

1 response workshops in 2013, the Company successfully  
2 restructured these programs in 2014 at a lower cost per MW  
3 of demand reduction capacity than in prior years.

4 **Table 3 Peak demand deduction capacity (MW) and demand**  
5 **response expenses (\$ millions) 2004-2014**



6

7 Q. In 2014, did Idaho Power meet the energy  
8 efficiency targets included in the Integrated Resource Plan  
9 ("IRP")?

10 A. Yes. Table 4 below shows the annual  
11 incremental energy efficiency savings compared with the IRP  
12 targets for 2002 through 2014 shown in average megawatt  
13 hours ("aMW"). The Company's savings each year surpassed  
14 its annual IRP target 12 out of the last 13 years.

15

16

**Table 4. Annual incremental energy efficiency savings (aMW)  
with IRP targets (2002-2014)**

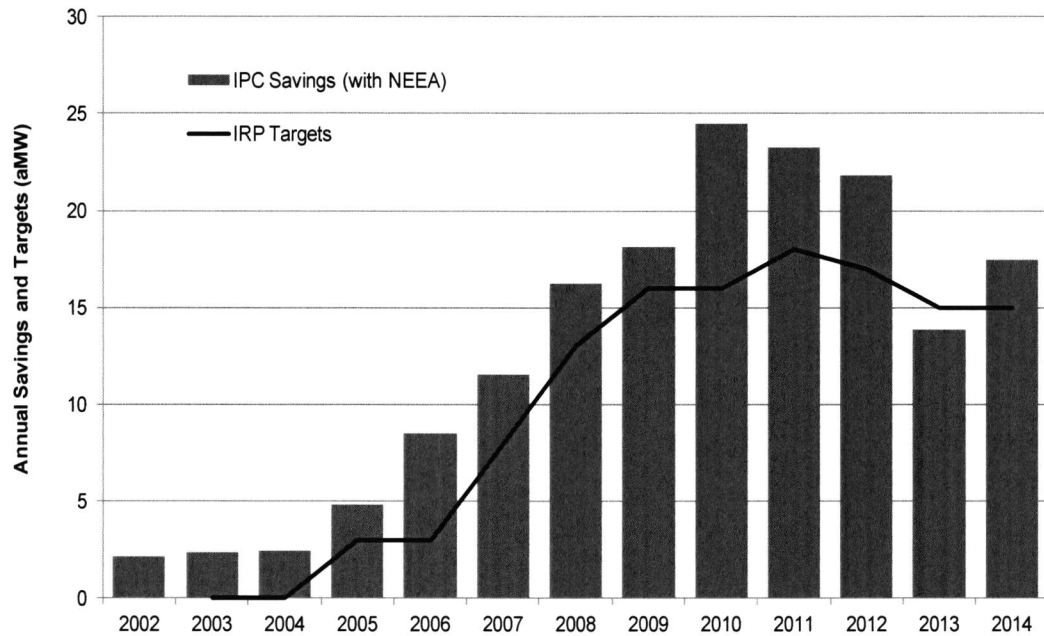
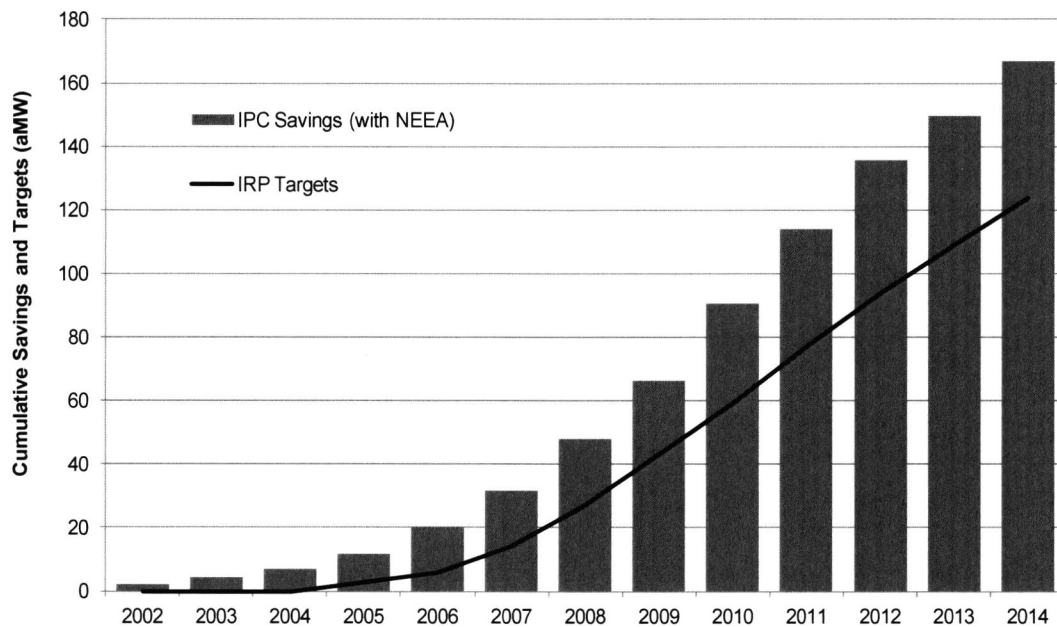


Table 5 below shows the cumulative energy efficiency savings in aMW compared with the IRP targets for years 2002 through 2014.

**Table 5. Annual cumulative energy efficiency savings (aMW)  
with IRP targets (2002-2014)**



1                               **II.    2014 DSM EXPENSES AND ADJUSTMENTS**

2                   Q.       What is Idaho Power's focus when spending  
3 Rider funds for the purchase of DSM resources?

4                   A.       Idaho Power takes its responsibility of  
5 prudently managing customer funds seriously. The Company's  
6 actions in 2014, and the content of the DSM 2014 Annual  
7 Report, provide evidence supporting the conscientious work  
8 Idaho Power employees and leaders have made toward using  
9 customers' funds wisely. The Company believes it is  
10 important to get the maximum value for its customers.

11                  Q.       What amount of 2014 DSM expenses is the  
12 Company requesting the Idaho Public Utilities Commission  
13 ("Commission") find prudently incurred?

14                  A.       In the delivery of energy efficiency, demand  
15 response, and market transformation programs, as well as  
16 education and administrative costs, Idaho Power expended  
17 \$25,554,688 of Rider funds and \$7,940,697 of demand  
18 response program incentives for a total of \$33,495,385  
19 spent on demand-side resource acquisition in 2014. To  
20 arrive at an amount for prudence determination, these  
21 numbers do not include certain Rider-funded labor expenses  
22 from 2014 and prior years as described later in my  
23 testimony. Idaho Power requests that the 2014 Rider-funded  
24 DSM expenses and the 2014 demand response program  
25 incentives recovered through base rates and the PCA be

1 reviewed together for a prudence determination. With this  
2 filing, Idaho Power requests the Commission issue an order  
3 finding that these funds were prudently incurred. Exhibit  
4 No. 1 to my testimony, *2014 Idaho DSM Expenses and*  
5 *Adjustments for Prudence Filing*, shows a breakout of these  
6 expenses by program and customer sector and by funding  
7 source.

8 Q. Please compare the dollar amounts in Exhibit  
9 No. 1 with Appendix 2 of the DSM 2014 Annual Report.

10 A. For clarity and ease of understanding, Exhibit  
11 No. 1 ties to *Appendix 2. 2014 DSM expenses by funding*  
12 *source (dollars)*, which is found on page 168 of the DSM  
13 2014 Annual Report. The first column of Appendix 2 labeled  
14 "Idaho Rider" and the first column of Exhibit No. 1 labeled  
15 "Rider Expenses" match at the row labeled "Total Expenses"  
16 in the amount of \$25,556,089. All values in Exhibit No. 1  
17 represent DSM expenses for the Idaho service area only.  
18 Adjustments to these totals are needed to accurately arrive  
19 at the total 2014 expenses for purposes of the prudence  
20 determination. There are two categories of adjustments:  
21 prior year-end accounting adjustments, and current year-end  
22 accounting adjustments. To aid in explaining the  
23 adjustments, in my Exhibit No. 1, I have added a section at  
24 the bottom of the table titled "Adjustments."

25



1           Additionally, the column at the far right of Exhibit  
2   No. 1 labeled "Idaho Rider Labor Transferred to O&M" is  
3   included for informational purposes only. The amounts have  
4   already been removed from the Rider and Idaho Power is not  
5   asking for a prudence determination of these amounts.

6           Q.     In this filing, did Idaho Power include the  
7   increases in 2011-2014 Rider-funded labor expense for a  
8   prudence determination?

9           A.     No. In Order Nos. 32667, 32690, and 32953,  
10  the Commission declined to decide the prudence of the  
11  increases in 2011 and 2012 Rider-funded labor expense,  
12  while at the same time offering the Company another  
13  opportunity to provide sufficient evidence at a future  
14  time, preferably revisiting this issue in the next general  
15  rate case. Order No. 32953 at 8. Because of the  
16  Commission's decisions in these three orders, Idaho Power  
17  is not asking for a prudence determination in this filing  
18  for the increase in Rider-funded labor expenses that  
19  occurred from 2011 through 2014.

20          Q.     Please quantify the increase in 2014 Rider-  
21  funded labor expense based upon 2010 labor rates that has  
22  been excluded from the Company's request for determination  
23  of prudence.

24          A.     The increase in Rider-funded labor expense  
25  based upon 2010 labor rates included in 2014 DSM expenses,

1 but excluded from the Company's request for determination  
2 of prudence, is \$338,707.

3 Q. Please explain the methodology used by Idaho  
4 Power to arrive at this amount.

5 A. Please refer to Table 6 below where the  
6 increase in 2014 Rider-funded labor expense based upon 2010  
7 labor rates has been quantified. Idaho Power is using the  
8 same methodology to quantify the increase in 2014 Rider-  
9 funded labor expense that was previously adopted by the  
10 Commission for use in 2011 through 2013. The calculation  
11 is based upon the last Commission-approved labor amount per  
12 full-time equivalent employees ("FTE"). For the year 2010,  
13 total labor costs of \$2,577,080 were divided by the total  
14 FTE of 26.70 for an average labor cost per FTE of \$96,520.  
15 This is shown in the first row of Table 6 labeled 2010.

16 **Table 6**

Column	1	2	3	4	5
	Total	FTE	2010 \$/FTE	Column 2 times 2010 \$/FTE	Column 1 Minus Column 4
	Labor				
<b>2010</b>	\$2,577,080	26.70	\$96,520		
<b>2011</b>	\$2,637,729	26.40	\$96,520	\$2,548,128	\$89,601
<b>2012</b>	\$2,886,988	28.11	\$96,520	\$2,713,177	\$173,811
<b>2013</b>	\$2,767,445	25.88	\$96,520	\$2,498,013	\$269,432
<b>2014</b>	\$2,720,954	24.68	\$96,520	\$2,382,247	\$338,707
<b>Total</b>					\$871,551

17 The total annual Rider-funded labor expense is shown  
18 in column 1 and an estimate of the total number of Rider-  
19 funded FTE is shown in column 2 for each year from 2010 to

1 2014. These estimated FTE values are based on total hours  
2 charged to the Rider, divided by an FTE equivalent of 1,912  
3 hours per year. Annual FTE numbers vary due to a number of  
4 reasons, including unfilled positions or number of hours  
5 charged to the Rider by employees. Column 3 shows the 2010  
6 labor expense per FTE used as the base to which subsequent  
7 years are compared. This average labor expense per FTE of  
8 \$96,520 is used as the basis for this analysis because it  
9 was the average labor expense per FTE from 2010 when all  
10 Rider-funded labor costs were last deemed prudent by the  
11 Commission. Column 4 shows the 2011 through 2014 "deemed  
12 prudent" total labor expense calculated by multiplying the  
13 yearly FTE values in column 2 by the 2010 average labor  
14 expense per FTE value of \$96,520. In column 5, the actual  
15 total labor expenses in column 1 is compared to the "deemed  
16 prudent" total labor expense in column 4, resulting in the  
17 annual amount of rider-funded labor expense above 2010  
18 funding levels.

19 Q. In 2014, how did Idaho Power account for the  
20 increase in Rider-funded labor expenses?

21 A. On a quarterly basis, Idaho Power records an  
22 entry to move the estimated increase in Rider-funded labor  
23 from the Rider to operations and maintenance ("O&M"). At  
24 the end of the year, this amount is trued-up to the actual  
25 amount and an entry is made to the labor task of each

1 program work order that had labor charged to the Idaho  
2 Rider in 2014, with a corresponding debit, or charge, to an  
3 O&M task for each of the affected program work orders.  
4 These accounting entries credited these amounts to the  
5 Rider and charged them to O&M. In Exhibit No. 1, under the  
6 column on the far right labeled Idaho Rider Labor  
7 Transferred to O&M, the labor amounts are shown for each  
8 program. These amounts represent the 2014 Rider-funded  
9 labor expense above 2010 funding levels, which totals  
10 \$338,707. These labor costs, although funded by O&M rather  
11 than the Rider, are included in total program costs for the  
12 purpose of determining cost-effectiveness of the programs.

13 Q. What is the cumulative amount of Rider-funded,  
14 labor expense increases that the Company has not received a  
15 prudence determination on since 2010?

16 A. The cumulative amount of Rider-funded labor  
17 expense increases that the Commission has not issued a  
18 prudence determination on since 2010 is \$871,551.

19 Q. What is the significance of this amount?

20 A. The Company is not able to recover these  
21 amounts through the Rider, but rather is required to write-  
22 off these amounts to O&M expense which negatively impacts  
23 earnings.

24 Q. Please describe the first category of  
25 adjustments – prior year-end accounting adjustments.

1           A.       In last year's prudence filing, Case No. IPC-  
2 E-14-04, Idaho Power proposed a small adjustment of \$248  
3 that increased the amount of 2013 expenses requested for  
4 prudence determination. This was due to a labor charge in  
5 the Home Energy Audit program that was initially charged to  
6 the Oregon Rider in 2013 and should have been charged to  
7 the Idaho Rider. In Order No. 33161, the Commission  
8 approved that adjustment. This expense occurred in 2013  
9 but was added to the Rider account via an accounting entry  
10 made in 2014. In order to arrive at the actual total  
11 program expenses for 2014, this amount is removed from this  
12 year's prudence request to avoid a double counting of this  
13 amount. This is shown in the Adjustment section of Exhibit  
14 No. 1 under "Prior Year-end Accounting Adjustment, Home  
15 Energy Audit Program Correction."

16           Q.       Please explain the second and last category of  
17 adjustments - current year-end accounting adjustment.

18           A.       In 2014, two incentive payments in the Energy  
19 House Calls program were charged to the Idaho Rider when  
20 they should have been charged to the Oregon Rider. This  
21 adjustment removes \$1,153 from the total amount of the  
22 prudence determination request. This is shown in the  
23 Adjustment section of Exhibit No. 1 under "Current Year-end  
24 Accounting Adjustment, Energy House Calls Program  
25

1 Correction." An accounting entry has been made in 2015 for  
2 this correction.

3 Q. Please summarize the impact of the two  
4 adjustments described above to the Idaho Rider.

5 A. As shown in Exhibit No. 1, these adjustments  
6 reduce the total Rider-funded expenses to \$25,554,688. The  
7 demand response program incentive payment amount had no  
8 adjustment and remains at \$7,940,697. The post-adjustment  
9 total of these two amounts is \$33,495,385.

10 Q. Did Idaho Power transfer Rider funds to  
11 customers through a credit, or reduction, in the 2014/2015  
12 PCA?

13 A. Yes. On April 15, 2014, Idaho Power filed the  
14 annual PCA in Case No. IPC-E-14-05. As part of this case  
15 the Company proposed that the Commission approve a one-time  
16 transfer of \$20 million of surplus Rider funds to customers  
17 through a credit, or reduction, in the PCA. In Order No.  
18 33049, the Commission approved the one-time transfer. This  
19 transfer had no impact on energy efficiency activities in  
20 2014.

21 Q. What was the year-end 2014 balance of the  
22 Rider?

23 A. The Rider account balance at December 31, 2014  
24 was a negative \$782,231. Table 7 below shows the January  
25 2014 beginning balance, the funding and interest items,

1 expenses and transfers and the ending balance as of  
 2 December 31, 2014. Also shown at the bottom of this table  
 3 is the accounting adjustment made in 2015, described above,  
 4 and shown on Exhibit No. 1, that returned \$1,153 to the  
 5 Rider, resulting in an adjusted Rider balance of negative  
 6 \$781,078.

7 **Table 7**

<b>Idaho Energy Efficiency Rider (January - December 2014)</b>	
<b>Idaho Energy Efficiency Rider</b>	
2014 Beginning Balance	\$ 6,685,745
2014 Funding plus Accrued Interest	38,088,113
<b>Total 2014 Funds</b>	<b>44,773,858</b>
2014 Expenses	(25,556,089)
Transfer to PCA (IPUC Order No. 33049)	(20,000,000)
<b>Balance as of December 31, 2014</b>	<b>\$ (782,231)</b>
2015 Accounting Adjustment	1,153
<b>Adjusted Balance as of December 31, 2014</b>	<b>\$ (781,078)</b>

8  
 9 **III. 2014 COST-EFFECTIVENESS OVERVIEW**

10 Q. What is Idaho Power's overall goal when it  
 11 comes to DSM cost-effectiveness tests?

12 A. Idaho Power's goal is to have all programs  
 13 achieve benefit/cost ratios of 1.0 or greater for the TRC  
 14 and the UC tests, and the participant cost test ("PCT") at  
 15 the program and measure level where appropriate. Because  
 16 of the value in comparing demand-side resources to supply-  
 17 side resources, Idaho Power has placed emphasis on the TRC  
 18 and UC tests. Idaho Power reviews the cost-effectiveness

1 results for each program and measure on an annual basis to  
2 determine whether the program should continue or be  
3 modified in some way to ensure its ongoing cost-  
4 effectiveness. If a particular measure or program is  
5 pursued even though it will not be cost-effective from each  
6 of the three tests, Idaho Power works with the Energy  
7 Efficiency Advisory Group ("EEAG") to get input. If the  
8 measure or program is indeed offered, the Company explains  
9 why the measure or program was implemented or continued.  
10 The Company believes this aligns with the expectations  
11 delineated in the DSM MOU. The cost-effective test  
12 methodologies and assumptions are described in more detail  
13 in the first pages of *Supplement 1: Cost-Effectiveness*  
14 ("Supplement 1") that is contained in Attachment No. 1 to  
15 the Application in this proceeding.

16 Q. What were the results of the 2014 cost-  
17 effective analyses?

18 A. Exhibit No. 2 to my testimony, *2014 Cost-*  
19 *Effectiveness Summary by Program, Sector and Portfolio*,  
20 shows the results of the TRC, UC, and PCT for every energy  
21 efficiency program, by sector and for the portfolio. From  
22 a sector and portfolio basis, the results are very positive  
23 with all tests achieving benefit/cost ratios over 1.0 as  
24 shown in Table 8 below. These results are also included in  
25 Exhibit No. 2.



1

**Table 8**

<b>2014 Benefit/Cost Table</b>			
Sector	Total Resource Cost (TRC)	Utility Cost (UC)	Participant Cost (PCT)
Residential	1.51	1.88	2.68
Commercial	2.42	4.58	2.24
Industrial			
Irrigation	1.83	5.67	1.63
Portfolio	1.89	3.49	2.09

2

3

On a program basis these results show that, using 2014 DSM costs and benefits, of the 16 energy efficiency programs offered in Idaho for which the Company calculates cost-effectiveness, 11 programs had benefit/cost ratios greater than 1.0 for both the TRC and UC tests. Three programs had benefit/cost ratios less than 1.0 for both the TRC and UC. Two programs had benefit/cost ratios less than 1.0 for the TRC but greater than 1.0 for the UC. All programs for which the PCT is applied passed the PCT. PCT ratios are not calculated for those programs that do not have a direct customer cost, these are shown as N/A on Exhibit No. 2. The details of these calculations are in Supplement 1 of the DSM 2014 Annual Report.

Benefit/cost ratios are currently not calculated for the three demand response programs. The methodology used to determine the cost-effectiveness of the demand response programs was updated in 2014. As part of the public workshops in conjunction with Case No. IPC-E-13-14, Idaho Power and other stakeholders agreed on a new methodology

1 for valuing demand-response. The settlement agreement, as  
2 approved in Commission Order No. 32923, defined the annual  
3 cost of operating Idaho Power's demand-response portfolio  
4 must be no greater than \$16.7 million. This \$16.7 million  
5 value is the levelized annual cost of a 170 MW deferred  
6 resource over a 20-year life. In 2014, the cost of  
7 operating the three demand response programs was \$10.6  
8 million. It is estimated that if the three programs were  
9 dispatched for the full 60 hours allowed, the total costs  
10 would have been approximately \$13.8 million and the  
11 programs would have remained cost-effective.

12 Q. Please explain the impact of the 2013  
13 Integrated Resource plan on DSM cost-effectiveness results.

14 A. The 2013 IRP planning process resulted in a  
15 significant drop in the DSM alternative costs used to value  
16 energy efficiency compared with previous IRPs. While  
17 impacts will vary from program to program depending on  
18 measure life and the end uses, decreases of program  
19 benefits of up to 40-50 percent resulted. Multiple factors  
20 led to the reduction of the DSM alternative costs, but two  
21 of the primary impacts included a reduced carbon adder used  
22 in the 2013 IRP process and decreases in early-year natural  
23 gas price forecasts. While these benefit reductions have  
24 placed more burden on program cost-effectiveness, some of  
25

1 the impact has been mitigated by the recent addition of  
2 quantified non-energy benefits in the region.

3 Q. Which programs did not have a benefit/cost  
4 ratio greater than 1.0 in 2014 for both the TRC and the UC  
5 perspectives?

6 A. As shown in Exhibit No. 2, three programs did  
7 not achieve the 1.0 benefit/cost ratio threshold in 2014  
8 under the TRC and UC tests; the See ya later, refrigerator<sup>®</sup>  
9 program, which is an appliance recycling program, and the  
10 Weatherization Assistance for Qualified Customers ("WAQC")  
11 program, and Weatherization Solutions for Eligible  
12 Customers ("Solutions") programs, both of which are offered  
13 to limited-income customers. The PCT is not calculated for  
14 these programs because the programs impose no direct costs  
15 on the participants.

16 Q. What caused the See ya later, refrigerator<sup>®</sup>  
17 program to be not cost-effective in 2014?

18 A. The lower cost-effectiveness in 2014 is  
19 largely due to the lower DSM alternative costs from the  
20 2013 IRP. In 2014, the Regional Technical Forum ("RTF")  
21 updated energy savings assumptions for these measures and  
22 included estimates for non-energy benefits ("NEB"). The  
23 updated energy savings and NEB assumptions will be applied  
24 in 2015.

25

1           Q.     What has Idaho Power done to address the fact  
2     that the See ya later, refrigerator<sup>®</sup> program became non-  
3     cost-effective in 2014?

4           A.     In mid-2014 Idaho Power began evaluating how  
5     the program might be redesigned to improve its cost-  
6     effectiveness. Program staff talked to other utilities and  
7     program vendors and participated in regional forums to  
8     identify lower-cost program design and incentive options  
9     for the program. On August 19, 2014, Idaho Power presented  
10    different program design options to the EEAG in order to  
11    gather guidance on how to move forward. The EEAG supported  
12    the option of removing the incentive while at the same time  
13    continuing to offer the program to customers.

14          Q.     What changes have been made to the See ya  
15    later, refrigerator<sup>®</sup> program to improve its cost-  
16    effectiveness?

17          A.     As of February 1, 2015, the program will  
18    continue to provide free pickup and removal of residential  
19    refrigerators and freezers; however, Idaho Power will no  
20    longer offer a customer incentive in this program. Program  
21    costs were also reduced due to lower administration and  
22    advertising costs. Under this new design option, the  
23    program is forecast to be cost-effective. By working with  
24    stakeholders, Idaho Power has been able to continue to  
25

1 offer this program while at the same time make changes to  
2 program components to improve cost-effectiveness.

3 Q. For the two other programs that were not cost-  
4 effective in 2014, WAQC and Solutions, please explain why  
5 those programs were not cost-effective.

6 A. The WAQC and Solution programs provide real  
7 and substantial per home savings, but due to the costs of  
8 comprehensive whole-house weatherization coupled with lower  
9 DSM alternate costs from the 2013 IRP, the programs remain  
10 not cost-effective from both the TRC or the UC perspective.  
11 The non-cost-effectiveness of the WAQC and Solutions  
12 programs stem primarily from a billing analysis conducted  
13 for an impact evaluation that was completed in early 2013.  
14 While Idaho Power is taking steps to improve the cost-  
15 effectiveness for these programs, the TRC and UC results  
16 are still under the benefit/cost thresholds.

17 Q. What activities has Idaho Power undertaken in  
18 the last year to improve the cost-effectiveness of the WAQC  
19 and Solutions programs?

20 A. Idaho Power contracted with an outside  
21 programmer to complete a new home audit tool for use in the  
22 program. Throughout 2014, Idaho Power staff worked with  
23 the programmer to incorporate the evaluation  
24 recommendations into an audit tool for use in 2015. In  
25 January 2015, the new tool, WxSol Home Audit Tool (HAT

1 14.1), was distributed to the four program contractors for  
2 use in 2015.

3 Updates in the audit tool include more specific  
4 housing types, the most current measure life of individual  
5 measures, and an updated chart of heating degree days. LED  
6 lighting was added to the CFL measure to incorporate new  
7 bulbs and associated savings. A health and safety menu was  
8 included to better capture non-energy saving upgrades  
9 necessary to the weatherization process and to further  
10 research and quantify NEBs of the program. A percentage  
11 limit was programmed for contractor support costs on each  
12 measure, and a 10-percent funding participation mandate was  
13 added for landlords when a home is not owner occupied. The  
14 refrigerator replacement measure was updated to reflect  
15 more accurate savings.

16 In 2014, Idaho Power contracted with the University  
17 of Idaho Integrated Design Lab ("IDL") to develop a  
18 Weatherization HVAC Replacement Savings Calculator that is  
19 interactive with each measure upgraded in a home that  
20 receives a new HVAC system. This tool is expected to be  
21 completed in early 2015, and Idaho Power will use it to  
22 compare savings reported by the new HAT 14.1 in  
23 anticipation of improving the accuracy of savings being  
24 reported by the program.

25

1 Idaho Power presented the 2013 process evaluation  
2 for these programs and resulting recommendations to EEAG  
3 during the February 2014 meeting. The presentation  
4 concluded that overall, both of these programs are being  
5 managed very well, but there is room for improvement on how  
6 savings are estimated and captured.

7 Q. How is Idaho Power addressing the fact that  
8 the WAQC and Solutions programs have not been cost-  
9 effective?

10 A. Idaho Power continues to work diligently in  
11 partnership with its program partners, stakeholders, and  
12 vendors with these programs to streamline operations,  
13 adjust offerings, and develop more accurate tools to make  
14 these programs more cost-effective. Because these programs  
15 are designed for limited-income customers, Idaho Power  
16 believes there are other benefits to these programs that  
17 are difficult to quantify. Unless the Commission directs  
18 otherwise, Idaho Power will continue its efforts to improve  
19 these programs while at the same time offering them to the  
20 Company's customers on an ongoing basis.

21 Q. Which programs did not have a benefit/cost  
22 ratio greater than 1.0 in 2014 from the perspective of the  
23 TRC?

24 A. As shown in Exhibit No. 2, both the Ductless  
25 Heat Pump Pilot ("DHP") Pilot program and the ENERGY STAR®

1 Homes Northwest program had a benefit/cost ratio below 1.0  
2 from the TRC perspective in 2014. However, both programs  
3 have a benefit/cost ratio above 1.0 from the UC  
4 perspective.

5 Q. Why did the DHP pilot program not meet the TRC  
6 test threshold of 1.0?

7 A. In late 2013, the RTF approved ductless heat  
8 pump annual energy savings assumptions for installations  
9 not using supplemental fuel use such as wood stoves. These  
10 savings estimates declined from the previous estimate of  
11 3,500 kilowatts ("kWh") to a range between 292 and 3,131  
12 annual kWh. This range reflects the different heating and  
13 cooling zones in the service area. As a result of the  
14 lower kWh savings, the program did not pass the TRC test.  
15 In 2014, Idaho Power included non-energy benefits approved  
16 by the RTF, accounting for annual avoided supplemental fuel  
17 costs, and avoided capital expenses of air conditioning  
18 unit purchases that would have occurred in the absence of  
19 the installation of a DHP system. Other NEBs are currently  
20 being evaluated by the RTF and may be included in the  
21 future.

22 Q. Why did the ENERGY STAR® Homes Northwest  
23 program not meet the TRC test threshold of 1.0?

24 A. In 2014, Idaho Power certified 243 homes in  
25 the ENERGY STAR® Homes Northwest program. Only eight of



1 these homes were stand alone, single-family homes, and 235  
2 were townhomes or multi-family homes. Due to the lower kWh  
3 savings for multi-family homes versus single-family homes  
4 the program was shown to be not cost-effective from a TRC  
5 perspective for 2014. Energy savings for both the single  
6 family homes and multi-family homes are different for each  
7 of the different weather zones in the Idaho Power service  
8 area. Another contributing factor to the program not  
9 achieving cost-effectiveness from the TRC perspective is  
10 that many of the multi-family homes are located in the  
11 weather zones with lower energy savings.

12 The RTF will be reviewing the savings estimates for  
13 townhomes and other multi-family homes in 2015. In  
14 addition, NEEA is evaluating new approaches to this  
15 regional program. Idaho Power will monitor the potential  
16 changes to the program for possible implementation in the  
17 future.

18 This program also provides savings in the Idaho  
19 Power service area through the regional program. Houses  
20 heated by natural gas and built in Idaho Power's service  
21 area to the ENERGY STAR® specifications produce electric  
22 savings from measures such as lighting and air  
23 conditioning. The electric savings from the gas heated  
24 homes are shown in Appendix 3 of the DSM 2014 Annual Report  
25

1 and claimed in the total Idaho Power portfolio but not by  
2 this program.

3 Q. Concerning all of its programs, did Idaho  
4 Power look at program cost-effectiveness from the Ratepayer  
5 Impact Measure ("RIM") perspective as requested by the  
6 Staff in Attachment No. 1 of the DSM MOU?

7 A. Yes. The RIM test measures the impact on  
8 customers' bills or rates due to changes in utility  
9 revenues and operating costs caused by an energy efficiency  
10 program. According to the National Action Plan for Energy  
11 Efficiency's *Understanding Cost-Effectiveness of Energy*  
12 *Efficiency Programs: Best Practices, Technical Methods,*  
13 *and Emerging Issues for Policy-Makers*, this test is  
14 typically a secondary test used to evaluate relative  
15 impacts on rates. It should be noted that while Staff, in  
16 Attachment No. 1 to the DSM MOU, stated an expectation that  
17 programs should pass the TRC, UC, and PCT (and if not to  
18 provide an explanation), there was no stated expectation  
19 that programs must pass the RIM test.

20 Q. What were the results when Idaho Power  
21 calculated the RIM tests on its programs?

22 A. When Idaho Power made these calculations,  
23 programs had a range of benefit/cost ratios for the RIM  
24 test with the lowest at 0.31 and the highest at 1.39.

25

1 Results for each program calculation can be found in  
2 Supplement 1 of the 2014 DSM Annual Report.

3 Q. Did Idaho Power calculate cost-effectiveness  
4 tests for each measure within each program?

5 A. Yes. In 2014, Idaho Power evaluated the  
6 benefits and costs of 259 measures from both the TRC and  
7 the UCT perspective. This number is lower than the number  
8 of total measures in 2013 of 455. This reduction is not a  
9 result of fewer measures offered by the Company; rather,  
10 Idaho Power consolidated several categories of measures  
11 after reviewing how the Company defines a measure. Of the  
12 total number of measures analyzed, 39 did not pass the TRC,  
13 the UC test, or both. It should be noted that Idaho Power  
14 does not perform cost-effectiveness calculations by measure  
15 in programs where there is significant interaction between  
16 measures.

17 The results of these calculations along with measure  
18 assumption details and source documentation can be found in  
19 Supplement 1 to the DSM 2014 Annual Report.

20 Q. How did Idaho Power address the measures that  
21 are not cost-effective based on one or more tests?

22 A. The cost and benefit values used in the  
23 various analyses are based on markets, technologies,  
24 economic inputs, savings estimates, and cost estimates,  
25 which can change over time. When a measure is determined

1 not to be cost-effective at a specific point in time, Idaho  
2 Power first evaluates whether the inputs used in the  
3 calculations are still correct, and then determines if  
4 measure parameters should be modified or whether the  
5 measure should be eliminated. As mentioned above, 39  
6 individual measures in various programs are not cost-  
7 effective from a TRC or UC test perspective or both. These  
8 measures will be discontinued, analyzed for additional non-  
9 energy benefits, modified to increase potential per unit  
10 savings, or monitored to examine their impact on the  
11 specific program's overall cost-effectiveness. For  
12 additional detail on measure analysis refer to Supplement  
13 1.

#### 14 **IV. EVALUATION ACTIVITY OVERVIEW**

15 Q. What is the Company's approach to DSM program  
16 evaluation?

17 A. In order to ensure the ongoing cost-  
18 effectiveness of programs through validation of energy  
19 savings and demand reduction, and to guide the efficient  
20 management of its programs, the Company relies on  
21 evaluations by third-party contractors chosen through a  
22 competitive bidding process, internal analyses, and  
23 regional and national studies. Idaho Power uses industry-  
24 standard protocols for its internal and external evaluation  
25 efforts. Process and impact evaluations are typically on a

1 three-year cycle for each program; however, the timing of  
2 specific program evaluations is based on considerations  
3 regarding program needs. The Company actively participates  
4 in regional groups that evaluate new technologies and  
5 advancements. As discussed in the next section of my  
6 testimony, the DSM MOU provides further direction on  
7 how Idaho Power plans, evaluates, and reports its DSM  
8 activities.

9 Q. Please provide an overview of the evaluation  
10 activities that took place in 2014.

11 A. In addition to the annual cost-effective  
12 analyses that the Company conducts for each program, in  
13 2014, Idaho Power completed five impact evaluations on the  
14 following programs: Energy Efficient Lighting, ENERGY STAR®  
15 Homes Northwest, Custom Efficiency, A/C Cool Credit and  
16 Irrigation Peak Rewards programs. Idaho Power completed  
17 three process evaluations on the following programs: Shade  
18 Tree Project, Home Energy Audit and Custom Efficiency. All  
19 these evaluations were conducted by third-party  
20 contractors. The final reports for these evaluations and  
21 studies, and the market effects evaluations conducted by  
22 NEEA, are included in *Supplement 2: Evaluations*  
23 ("Supplement 2") to the DSM 2014 Annual Report.

24 There were two research projects last year. One of  
25 the projects evaluated the EA4 software audit tool for the

1 WAQC and Solutions programs. And Idaho Power contracted  
2 with the University of Idaho IDL to develop a  
3 Weatherization HVAC Replacement Savings Calculator for the  
4 WAQC and Solutions programs.

5 Q. Does Idaho Power have a DSM program evaluation  
6 plan for 2015?

7 A. Yes. The 2011-2015 DSM Program Evaluation  
8 Plan is attached as Exhibit No. 3 and is also included in  
9 Supplement 2. The emphasis in 2014 was on conducting  
10 impact evaluations. In 2015, Idaho Power's evaluation plan  
11 includes three impact evaluations, three process  
12 evaluations, and several additional research projects.  
13 This plan is intended to be used as a guide and may change  
14 based on need, timing, or other factors.

15 **V. STAKEHOLDER INPUT AND COMPLIANCE WITH**

16 **ERRATA TO ORDER NO. 33161**

17 Q. What opportunities exist generally for  
18 external parties to provide input and guidance to Idaho  
19 Power's DSM efforts?

20 A. In 2002, Idaho Power created the EEAG to  
21 provide a forum to gather ideas and suggestions from  
22 customers and special interest representatives about  
23 formulating and implementing DSM programs. Members include  
24 customer representatives from residential, irrigation,  
25 commercial, and industrial sectors, as well as

1 representatives for senior citizens, limited-income  
2 individuals, environmental organizations, state agencies,  
3 the Idaho Public Utilities Commission, the Public Utility  
4 Commission of Oregon, and Idaho Power. In 2014, the EEAG  
5 held four meetings, two webinars and an energy efficiency  
6 potential study workshop. During these meetings, Idaho  
7 Power discussed and requested recommendations on a broad  
8 range of DSM issues. The minutes from the 2014 EEAG  
9 meetings are included in Supplement 2 of the DSM 2014  
10 Annual Report.

11 Q. What was the result of Idaho Power's most  
12 recent case where the Commission made a prudence  
13 determination regarding the Company's DSM expenses?

14 A. On March 14, 2014, Idaho Power filed Case No.  
15 IPC-E-14-04 with the Commission requesting an order finding  
16 the Company had prudently incurred \$25.9 million in DSM  
17 expenses in 2013 for both energy efficiency and demand  
18 response programs. In the filing, Idaho Power did not ask  
19 for a prudence determination on the \$89,601 Rider-funded  
20 labor expense included in the 2011 DSM expenses, the  
21 \$173,811 included in the 2012 DSM expenses, or the \$269,432  
22 included in the 2013 DSM expenses. On November 4, 2014, in  
23 Order No. 33161, the Commission deemed the total amount of  
24 \$25.9 million as prudently incurred.

25

1           Q.       Please discuss the Errata to Order No. 33161  
2 received in Case No. IPC-E-14-04.

3           A.       In Order 33161, dated November 4, 2014, the  
4 Commission stated:

5           The Commission notes that Idaho Power  
6 issued a strong rebuttal of these  
7 claims, offering several reasons to  
8 explain the recent decline in its DSM  
9 expenditures and a defense of its  
10 marketing efforts. While the Commission  
11 is cognizant of the recent decline in  
12 energy savings, acknowledged by the  
13 Company in its Application, we are  
14 encouraged by the Company's reply  
15 comments that its commitment to cost-  
16 effective DSM has not waned and that it  
17 has a renewed interest in taking action  
18 to procure all cost-effective DSM.  
19

20           The Commission issued an Errata to Order No. 33161,  
21 on November 7, 2014. In the Errata, the Commission amended  
22 this paragraph of the original order to read:

23           The Commission is cognizant of the  
24 recent decline in energy savings,  
25 acknowledged by the Company in its  
26 Application, and notes that Idaho Power  
27 issued a strong rebuttal of these  
28 claims, offering several reasons to  
29 explain the recent decline in its DSM  
30 expenditures and a defense of its  
31 marketing efforts. We are encouraged  
32 that the reply comments seem to  
33 demonstrate the Company's renewed  
34 interest in procuring all cost-  
35 effective DSM.  
36

37           In this case, the Commission restricts  
38 its findings to the prudence of the  
39 Company's 2013 expenditures. The  
40 Commission agrees that the issues  
41 raised by Staff and other parties are



1 significant and warrant a more in-depth  
2 review. We direct the parties to do so  
3 in the context of the Company's next  
4 Integrated Resource Plan filing.  
5

6 Q. What activities did Idaho Power undertake to  
7 comply with the Errata to Order No. 33161?

8 A. In response to the Errata, on November 21,  
9 2014, Idaho Power organized an Energy Efficiency Working  
10 Group and invited members of the Integrated Resource Plan  
11 Advisory Committee ("IRPAC"), the EEAG, and other  
12 interested parties to participate. The Energy Efficiency  
13 Working Group held two workshops to discuss the issues  
14 referenced in the Errata to Order No. 33161.

15 The workshops were open to the public and held at  
16 Idaho Power's corporate office from 1:00 - 4:00 p.m. on  
17 December 3rd and from 9:30 a.m. - 12:30 p.m. on December  
18 18th.

19 Q. Please describe the two workshops.

20 A. The first workshop session included a  
21 discussion of a broad range of energy efficiency and  
22 resource planning issues that can be classified into two  
23 general categories: (1) strategies related to program  
24 delivery and (2) treatment of energy efficiency in the  
25 resource planning process. Because the IRP process does  
26 not address program delivery issues, Idaho Power  
27 representatives suggested narrowing the focus of the

1 discussion to only the treatment of energy efficiency in  
2 the resource planning process and that the strategies  
3 related to the successful delivery of programs would be  
4 better addressed by the EEAG. While there were differing  
5 opinions on this subject, participants agreed to several  
6 agenda topics to be discussed at a second meeting that  
7 focused on how energy efficiency as a resource should be  
8 treated in the IRP.

9           The second workshop agenda included: A comparison of  
10 energy efficiency potential studies from other regional  
11 utilities by Ingrid Rohmund, Applied Energy Group; Idaho  
12 Power's inclusion of energy efficiency in the IRP - a  
13 comparison to other regional utilities by Stacey Donohue,  
14 Commission Staff; Transmission and Distribution (T&D)  
15 benefits - Idaho Power's investigation into including T&D  
16 investment deferral into the benefits in DSM cost-  
17 effectiveness analysis, by Phil DeVol, Idaho Power; and  
18 other issues and open discussion. The information  
19 presented at the second meeting prompted discussion among  
20 the participants and ultimately served to inform Idaho  
21 Power's next steps.

22           Q.       What are the next steps?

23           A.       Idaho Power believes that its current  
24 treatment of energy efficiency in the resource planning  
25 process appropriately balances the need for responsible and

1 effective resource planning and the desire to pursue all  
2 prudent cost-effective energy efficiency. Idaho Power also  
3 recognizes that achieving those balanced objectives on an  
4 ongoing basis requires continued review and evaluation of  
5 the planning process, as well as an awareness of related  
6 industry best practices.

7           As discussed with the Energy Efficiency Working  
8 Group, Idaho Power has committed to investigate the extent  
9 to which T&D benefits result from energy efficiency  
10 measures and programs, as well as the approximate value of  
11 such benefits. When available, the Company will present  
12 the results of this investigation to the IRPAC.

13           The Company is also committed to continue to discuss  
14 the program delivery issues identified by workshop  
15 participants, and by Commission Staff, and some interveners  
16 in comments filed in Case No. IPC-E-14-04. The Company  
17 plans to use the EEAG as the forum to provide customers,  
18 Idaho and Oregon Commission Staff, and other interested  
19 stakeholders an opportunity to provide advice and  
20 recommendations to Idaho Power in formulating,  
21 implementing, and evaluating energy efficiency and demand  
22 response programs and activities.

23           Q.     Are there any updates to the work Idaho Power  
24 is continuing to do on the program delivery issues  
25 identified by workshop participants?

1           A.     Yes. As promised, Idaho Power included an  
2 extensive discussion of its energy efficiency-related  
3 marketing activities and new program ideas and initiatives  
4 in the February 19, 2015, EEAG meeting. Idaho Power plans  
5 to include a robust marketing discussion in each of the  
6 four regularly-scheduled EEAG meetings in 2015.

7           Q.     Are there any updates to the work Idaho Power  
8 is continuing to do on the T&D benefits of energy  
9 efficiency?

10          A.     Idaho Power is currently investigating the  
11 potential T&D benefits of energy efficiency programs. A  
12 discussion and preliminary findings are anticipated for the  
13 June 2015 IRPAC meeting.

14                   **VI. SATISFACTION OF DSM MOU GUIDELINES**

15          Q.     Please describe the DSM MOU.

16          A.     As part of Case No. IPC-E-09-09, Commission  
17 Staff, Idaho Power, and other investor-owned utilities  
18 operating in Idaho worked together to establish an agreed-  
19 upon set of terms for future evaluation and reporting of  
20 DSM expenditures and programs. In January 2010, the Staff,  
21 Idaho Power, Avista Corporation, and Rocky Mountain Power  
22 signed the DSM MOU. The DSM MOU provides a set of  
23 guidelines for evaluation and reporting of DSM performance  
24 with the purpose of facilitating an objective and

25

1 transparent assessment of the utilities' DSM efforts. The  
2 DSM MOU states, on page 6, item 10:

3 A showing by the utility that it made  
4 a good faith effort to reasonably  
5 perform within these guidelines will  
6 constitute *prima facie* evidence that  
7 the utility's DSM expenses were  
8 prudently incurred for cost recovery  
9 purposes. By its performing within  
10 these guidelines, assuming there is no  
11 evidence of imprudent actions or  
12 expenses, the utility can reasonably  
13 expect that in the ordinary course of  
14 business Staff will support full cost  
15 recovery of its DSM program expenses.  
16

17 Q. Does Idaho Power believe that this filing  
18 satisfies the reporting obligation for DSM activity as set  
19 forth in the DSM MOU?

20 A. Yes. Idaho Power has followed the template,  
21 table of contents, highlights, and program specific  
22 sections as recommended in the DSM MOU. This information  
23 can be found in the main document of the DSM 2014 Annual  
24 Report. In Supplement 1, Idaho Power has provided the  
25 cost-effectiveness detail for programs and measures and  
26 Supplement 2 supplies the evaluation information requested  
27 in the DSM MOU.

28 **VII. CONCLUSION**

29 Q. Do you believe that the information contained  
30 in this testimony and attached documents supports a  
31 prudence determination for 2014 DSM expenses?

1           A.     Yes.   Based on the testimony set forth above  
2   and in the attached exhibits, Idaho Power respectfully  
3   requests the Commission determine that \$33,495,385 of DSM  
4   expenses incurred in 2014 for the acquisition of demand-  
5   side resources were prudently incurred.

6           Q.     Does this conclude your testimony?

7           A.     Yes, it does.

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**BEFORE THE**  
**IDAHO PUBLIC UTILITIES COMMISSION**  
**CASE NO. IPC-E-15-06**

**IDAHO POWER COMPANY**

**NEMNICH, DI**  
**TESTIMONY**

**EXHIBIT NO. 1**

**Idaho Power Company**  
**2014 Idaho DSM Expenses and Adjustments for Prudence Filing**

Expenses	Rider Expenses	Demand Response Program Incentives	Total Expenses	Idaho Rider Labor Transferred to O&M <sup>(a)</sup>
<b>Energy Efficiency/Demand Response</b>				
<b>Residential</b>				
A/C Cool Credit	\$ 962,286	\$ 437,940	\$ 1,400,226	\$ 8,433
Ductless Heat Pump Pilot	\$ 235,099	\$ 0	\$ 235,099	\$ 6,733
Energy Efficient Lighting	\$ 1,860,046	\$ 0	\$ 1,860,046	\$ 3,818
Energy House Calls	\$ 186,732	\$ 0	\$ 186,732	\$ 3,080
ENERGY STAR® Homes	\$ 330,523	\$ 0	\$ 330,523	\$ 4,391
Heating & Cooling Efficiency Program	\$ 340,551	\$ 0	\$ 340,551	\$ 6,836
Home Energy Audit Program	\$ 164,579	\$ 0	\$ 164,579	\$ 6,318
Home Improvement Program	\$ 315,616	\$ 0	\$ 315,616	\$ 9,101
Home Products Program	\$ 212,787	\$ 0	\$ 212,787	\$ 5,139
Rebate Advantage	\$ 57,155	\$ 0	\$ 57,155	\$ 753
See ya later, refrigerator®	\$ 562,002	\$ 0	\$ 562,002	\$ 1,639
Shade Tree Program	\$ 143,750	\$ 0	\$ 143,750	\$ 3,474
Weatherization Solutions for Eligible Customers	\$ 757,748	\$ 0	\$ 757,748	\$ 725
<b>Commercial/Industrial</b>				
Building Efficiency	\$ 1,212,907	\$ 0	\$ 1,212,907	\$ 14,315
Custom Efficiency	\$ 6,705,219	\$ 0	\$ 6,705,219	\$ 49,299
Easy Upgrades	\$ 3,020,323	\$ 0	\$ 3,020,323	\$ 17,996
FlexPeak Management	\$ 50,964	\$ 1,427,054	\$ 1,478,018	\$ 7,062
<b>Irrigation</b>				
Irrigation Efficiency Rewards	\$ 2,256,235	\$ 0	\$ 2,256,235	\$ 26,090
Irrigation Peak Rewards	\$ 1,374,724	\$ 6,075,703	\$ 7,450,427	\$ 5,312
<b>Energy Efficiency/Demand Response Total</b>	<b>\$ 20,749,245</b>	<b>\$ 7,940,697</b>	<b>\$ 28,689,942</b>	<b>\$ 180,513</b>
<b>Market Transformation</b>				
Northwest Energy Efficiency Alliance	\$ 3,140,621	\$ 0	\$ 3,140,621	\$ -
<b>Market Transformation Total</b>	<b>\$ 3,140,621</b>	<b>\$ 0</b>	<b>\$ 3,140,621</b>	<b>\$ 0</b>
<b>Other Programs and Activities</b>				
Residential Energy Efficiency Education Initiative	\$ 394,895	\$ 0	\$ 394,895	\$ 13,340
Commercial Energy Efficiency Education Initiative	\$ 72,613	\$ 0	\$ 72,613	\$ 163
Energy Efficiency Direct Program Overhead	\$ 427,506	\$ 0	\$ 427,506	\$ 29,441
Local Energy Efficiency Funds	\$ 9,100	\$ 0	\$ 9,100	\$ -
<b>Other Programs and Activities Total</b>	<b>\$ 904,114</b>	<b>\$ 0</b>	<b>\$ 904,114</b>	<b>\$ 42,944</b>
<b>Indirect Program Expenses</b>				
Commercial/Industrial/Irrigation Overhead	\$ 75,578	\$ 0	\$ 75,578	\$ 40,612
Energy Efficiency Accounting and Analysis	\$ 693,729	\$ 0	\$ 693,729	\$ 56,387
Energy Efficiency Advisory Group	\$ 5,702	\$ 0	\$ 5,702	\$ -
Residential Overhead	\$ 79,137	\$ 0	\$ 79,137	\$ 18,251
<b>Special Accounting Entries</b>				
Special Accounting Entries	\$ (92,037)	\$ 0	\$ (92,037)	\$ -
<b>Indirect Program Expenses Total</b>	<b>\$ 762,109</b>	<b>\$ -</b>	<b>\$ 762,109</b>	<b>\$ 115,250</b>
<b>Total Expenses</b>	<b>\$ 25,556,089</b>	<b>\$ 7,940,697</b>	<b>\$ 33,496,786</b>	<b>\$ 338,707</b>
<b>Adjustments</b>				
Prior year-end accounting adjustment <sup>(b)</sup>				
Home Energy Audit Program correction	\$ (248)		\$ (248)	
Current year-end accounting adjustment <sup>(c)</sup>				
Energy House Calls Program correction	\$ (1,153)		\$ (1,153)	
<b>2014 Prudence Filing Total</b>	<b>\$ 25,554,688</b>	<b>\$ 7,940,697</b>	<b>\$ 33,495,385</b>	

(a) This column is for illustrative purposes. It represents the amount of labor initially charged to the Idaho Energy Efficiency Rider in 2014 in excess of the 2010 "deemed prudent" amount. These amounts were transferred to O&M in 2014. These amounts are not included in the amounts found in the "Rider Expense" column of this exhibit. These amounts are considered program costs and are used for cost-benefit analysis purposes.

(b) This is an accounting correction pertaining to 2013 that was corrected in 2014 and should be subtracted to reflect total expense activity in 2014.

(c) This was an accounting correction made in 2015 but pertaining to 2014 activity and should be subtracted to reflect total expense activity in 2014. Two incentives had the wrong accounting between the Idaho Energy Efficiency Rider and the Oregon Energy Efficiency Rider, resulting in the Idaho Energy Efficiency Rider being charged more than it should have been.

**BEFORE THE**  
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**NEMNICH, DI**  
**TESTIMONY**

**EXHIBIT NO. 2**

**Idaho Power Company**  
**2014 Cost-Effectiveness Summary by Program, Sector and Portfolio**

Program/Sector	2014 Benefit/Cost Tests		
	Total Resource Cost (TRC)	Utility Cost (UC)	Participant Cost (PCT)
Ductless Heat Pump Pilot	0.70	1.77	1.01
Energy Efficient Lighting	1.99	2.98	2.67
Energy House Calls	2.16	2.16	N/A
ENERGY STAR ® Homes Northwest	0.83	1.64	1.41
Heating & Cooling Efficiency Program	1.09	3.74	1.45
Home Improvement Program	1.51	4.17	2.39
Home Products Program	4.52	1.94	7.28
Rebate Advantage	3.23	4.39	6.21
See ya later, refrigerator ®	0.86	0.86	N/A
Student Energy Efficiency Kit	3.02	2.18	N/A
Weatherization Assistance for Qualified Customers	0.42	0.51	N/A
Weatherization Solutions for Eligible Customers	0.50	0.46	N/A
<b>Residential Energy Efficiency Sector</b>	<b>1.51</b>	<b>1.88</b>	<b>2.68</b>
Building Efficiency	2.08	5.05	2.27
Custom Efficiency	2.52	4.72	2.00
Easy Upgrades	2.35	4.08	2.85
<b>Commercial/Industrial Energy Efficiency Sector</b>	<b>2.42</b>	<b>4.58</b>	<b>2.24</b>
Irrigation Efficiency	1.83	5.67	1.63
<b>Irrigation Energy Efficiency Sector</b>	<b>1.83</b>	<b>5.67</b>	<b>1.63</b>
<b>Energy Efficiency Portfolio</b>	<b>1.89</b>	<b>3.49</b>	<b>2.09</b>



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**EXHIBIT NO. 3**

**Idaho Power Company**  
**2011-2015 DSM Program Evaluation Plan**

	2011			2012			2013			2014			2015		
	Impact	Process	Other	Impact	Process	Other	Impact	Process	Other	Impact	Process	Other	Impact	Process	Other
<b>Residential Programs</b>															
Ductless Heat Pump Pilot													✓		
Energy Efficient Lighting								✓							
Energy House Calls	✓														
ENERGY STAR® Homes Northwest								✓							
Heating & Cooling Efficiency Program								✓							✓
Home Improvement Program	✓												✓		
Home Products Program	✓														
Rebate Advantage	✓														
See ya later, refrigerator®		✓		✓									✓		
Residential Energy Efficiency Education Initiative															
Shade Tree Project											✓				
Home Energy Audit											✓				
Weatherization Assistance for Qualified Customers				✓											
Weatherization Solutions for Eligible Customers				✓				✓							
<b>Commercial/Industrial Programs</b>															
Building Efficiency				✓											
Custom Efficiency	✓									✓					
Easy Upgrades				✓				✓							
<b>Irrigation Programs</b>															
Irrigation Efficiency Rewards						✓									
<b>Demand Response Programs</b>															
A/C Cool Credit	✓					✓							✓		✓
FlexPeak Management			✓			✓			✓						✓
Irrigation Peak Rewards		✓	✓			✓			✓				✓		✓